Globalization and Democracy: Some Basics

MICHAEL PARENTI

May 25, 2007

The transnational corporation's goal is to become truly transnational, poised above the sovereign power of any particular nation, while being served by the sovereign powers of all nations. Cyril Siewert, the chief financial officer of Colgate Palmolive Company, could have been speaking for all transnationals when he remarked, "The United States doesn't have an automatic call on our [corporation's] resources. There is no mindset that puts this country first."**[i]**

With international "free trade" agreements such as NAFTA, GATT, and FTAA, the giant transnationals have been elevated above the sovereign powers of nation-states. These agreements endow anonymous international trade committees with authority to prevent, overrule, or dilute any laws of any nation deemed to burden the investment and market prerogatives of transnational corporations. These trade committees--of which the World Trade Organization (WTO) is a prime example---set up panels composed of "trade specialists" who act as judges over economic issues, placing themselves above the rule and popular control of any nation, thereby ensuring the supremacy of international finance capital. This process, called *globalization*, is treated as an inevitable natural "growth" development beneficial to all. It is, in fact, a global coup d'Ãƒ©tat by the giant business interests of the world.

Elected by no one and drawn from the corporate world, these panelists meet in secret and often have investment stakes in the very issues they adjudicate, being bound by no conflict-of-interest provisions. Not one of GATT's five hundred pages of rules and restrictions are directed against private corporations; all are against governments. Signatory governments must lower tariffs, end farm subsidies, treat foreign companies the same as domestic ones, honor all corporate patent claims, and obey the rulings of a permanent elite bureaucracy, the WTO. Should a country refuse to change its laws when a WTO panel so dictates, the WTO can impose fines or international trade sanctions, depriving the resistant country of needed markets and materials.**[ii]**

Acting as the supreme global adjudicator, the WTO has ruled against laws deemed "barriers to free trade." It has forced Japan to accept greater pesticide residues in imported food. It has kept Guatemala from outlawing deceptive advertising of baby food. It has eliminated the ban in various countries on asbestos and on fuel-economy and emission standards for motor vehicles. And it has ruled against marine-life protection laws and the ban on endangered-species products. The European Union's prohibition on the importation of hormone-ridden U.S. beef had overwhelming popular support throughout Europe, but a three-member WTO panel decided the ban was an illegal restraint on trade. The decision on beef put in jeopardy a host of other food import regulations based on health concerns. The WTO overturned a portion of the U.S. Clean Air Act banning certain additives in gasoline because it interfered with imports from foreign refineries. And the WTO overturned that portion of the U.S. Endangered Species Act forbidding the import of shrimp caught with nets that failed to protect sea turtles.**[iii]**

Free trade is not fair trade; it benefits strong nations at the expense of weaker ones and rich interests at the expense of the rest of us. Globalization means turning the clock back on many twentieth-century reforms: no freedom to boycott products, no prohibitions against child labor, no guaranteed living wage or benefits, no public services that might conceivably compete with private services, no health and safety protections that might cut into corporate profits.**[iv]**

GATT and subsequent free trade agreements allow multinationals to impose monopoly property rights on indigenous and communal agriculture. In this way, agribusiness can better penetrate locally self-sufficient communities and monopolize their resources. Ralph Nader gives the example of the neem tree, whose extracts contain natural pesticidal and medicinal properties. Cultivated for centuries in India, the tree attracted the attention of various pharmaceutical companies, who filed monopoly patents, causing mass protests by Indian farmers. As dictated by the WTO, the pharmaceuticals now have exclusive control over the marketing of neem tree products, a ruling that is being reluctantly enforced in India. Tens of thousands of erstwhile independent farmers must now work for the powerful pharmaceuticals on profit-gorging terms set by the companies.

A trade agreement between India and the United States, the Knowledge Initiative on Agriculture (KIA), backed by Monsanto and other transnational corporate giants, allows for the grab of India's seed sector by Monsanto, its trade sector by Archer Daniels Midland and Cargill, and its retail sector by Wal-Mart. (Wal-Mart announced plans to open 500 stores in India, starting in August 2007.) This amounts to a war against India's independent farmers and small businesses and a threat to India's food security. Farmers are organizing to protect themselves against this economic invasion by maintaining traditional seed-banks and setting up systems of communal agrarian support. One farmer says, "We do not buy seeds from the

market because we suspect they may be contaminated with genetically engineered or terminator seeds."**[v]**

In a similar vein, the WTO ruled that the U.S. corporation RiceTec has the patent rights to all the many varieties of basmati rice, grown for centuries by India's farmers. It also ruled that a Japanese corporation had exclusive rights in the world to grow and produce curry powder. As these instances demonstrate, what is called "free trade" amounts to international corporate monopoly control. Such developments caused Malaysian prime minister Mahathir Mohamad to observe:

We now have a situation where theft of genetic resources by western biotech TNCs [transnational corporations] enables them to make huge profits by producing patented genetic mutations of these same materials. What depths have we sunk to in the global marketplace when nature's gifts to the poor may not be protected, but their modifications by the rich become exclusive property?

If the current behavior of the rich countries is anything to go by, globalization simply means the breaking down of the borders of countries so that those with the capital and the goods will be free to dominate the markets.**[vi]**

Under free-trade agreements like General Agreements on Trade and Services (GATS) and Free Trade Area of the Americas (FTAA), all public services are put at risk. A public service can be charged with causing "lost market opportunities" for business or creating an unfair subsidy. To offer one instance: the single-payer automobile insurance program proposed by the province of Ontario, Canada, was declared "unfair competition." Ontario could have its public auto insurance only if it paid U.S. insurance companies what they estimated would be their present and *future* losses in Ontario auto insurance sales, a prohibitive cost for the province. Thus the citizens of Ontario were not allowed to exercise their democratic sovereign right to institute an alternative not-for-profit auto insurance system. In another case, United Postal Service charged the Canadian Post Office for "lost market opportunities," which means that under free trade accords, the Canadian Post Office would have to compensate UPS for all the business that UPS thinks it would have had if there were no public postal service. The Canadian postal workers union has challenged the case in court, arguing that the agreement violates the Canadian Constitution**.**

Under NAFTA, the U.S.-based Ethyl Corporation sued the Canadian government for $250 million in "lost business opportunities" and "interference with trade" because Canada banned MMT, an Ethyl-produced gasoline additive considered carcinogenic by Canadian officials. Fearing they would lose the case, Canadian officials caved in, agreeing to lift the ban on MMT, pay Ethyl $10 million compensation, and issue a public statement calling MMT "safe," even though they had scientific findings showing otherwise. California also banned

the unhealthy additive; this time, a Canadian based Ethyl company sued California under NAFTA for placing an unfair burden on free trade.**[vii]**

International free trade agreements like GATT and NAFTA have hastened the corporate acquisition of local markets, squeezing out smaller businesses and worker collectives. Under NAFTA, better-paying U.S. jobs were lost as firms closed shop and contracted out to the cheaper Mexican labor market. At the same time, thousands of Mexican small companies were forced out of business. Mexico was flooded with cheap, high-tech, mass-produced corn and dairy products from giant U.S. agribusiness firms (themselves heavily subsidized by the U.S. government), driving small Mexican farmers and distributors into bankruptcy, displacing large numbers of poor peasants. The lately arrived U.S. companies in Mexico have offered extremely low-paying jobs and unsafe work conditions. Generally, free trade has brought a dramatic increase in poverty south of the border.**[viii]**

We North Americans are told that to remain competitive in the new era of globalization; we will have to increase our output while reducing our labor and production costs; in other words, work harder for less. This, in fact, is happening as the work-week has lengthened by as much as twenty percent (from forty hours to forty-six and even forty-eight hours), and real wages have flattened or declined during the reign of George W. Bush. Less is being spent on social services, and we are enduring more wage concessions, more restructuring, deregulation, and privatization. Only with such "adjustments," one hears, can we hope to cope with the impersonal forces of globalization that are sweeping us along.

In fact, there is nothing impersonal about these forces. Free trade agreements, including new ones that have not yet been submitted to the U.S. Congress, have been consciously planned by big business and its government minions over a period of years in pursuit of a deregulated world economy that undermines all democratic checks upon business practices. The people of anyone province, state, or nation are now finding it increasingly difficult to get their governments to impose protective regulations or develop new forms of public sector production out of fear of being overruled by some self-appointed international free-trade panel.**[ix]**

Usually, it is large nations demanding that poorer smaller ones relinquish the protections and subsidies they provide for their local producers. But occasionally, things may take a different turn. Thus in late 2006, Canada launched a dispute at the World Trade Organization over the use of "trade-distorting" agricultural subsidies by the United States, specifically the enormous sums dished out by the federal government to U.S. agribusiness corn farmers. The case also challenged the entire multibillion-dollar structure of U.S. agricultural subsidies. It followed the landmark WTO ruling of 2005, which condemned "trade-distorting" aid to U.S. cotton farmers. A report by Oxfam International revealed that at least thirty-eight developing countries were suffering severely as a result of trade-distorting subsidies by both the United States and the European Union. Meanwhile, the U.S. government was maneuvering to insert

a special clause into trade negotiations that would place its illegal use of farm subsidies above challenge by WTO member countries and make the subsidies immune from adjudication through the WTO dispute settlement process.**[x]**

What is seldom remarked upon is that NAFTA and GATT are in violation of the U.S. Constitution, the preamble of which makes clear that sovereign power rests with the people: "We the People of the United States . . . do ordain and establish this Constitution for the United States of America." Article I, Section 1 of the Constitution reads, "All legislative Powers herein granted shall be vested in a Congress of the United States." Article I, Section 7 gives the president (not some trade council) the power to veto a law, subject to being overridden by a two-thirds vote in Congress. And Article III gives adjudication and review powers to a Supreme Court and other federal courts as ordained by Congress. The Tenth Amendment to the Constitution states: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." There is nothing in the entire Constitution that allows an international trade panel to preside as final arbiter exercising supreme review powers undermining the constitutionally mandated decisions of the legislative, executive and judicial branches.

True, Article VII says that the Constitution, federal laws, and treaties "shall be the supreme Law of the land," but certainly, this was not intended to include treaties that overrode the laws themselves and the sovereign democratic power of the people and their representatives.

To exclude the Senate from deliberations, NAFTA and GATT were called "agreements" instead of treaties, a semantic ploy that enabled President Clinton to bypass the two-third treaty ratification vote in the Senate and avoid any treaty amendment process. The World Trade Organization was approved by a lame-duck session of Congress held after the 1994 elections. No one running in that election uttered a word to voters about putting the U.S. government under a perpetual obligation to ensure that national laws do not conflict with international free trade rulings.

What is being undermined is not only a lot of good laws dealing with the environment, public services, labor standards, and consumer protection, but also *the very right to legislate such laws.* Our democratic sovereignty itself is being surrendered to a secretive plutocratic trade organization that presumes to exercise a power greater than that of the people and their courts and legislatures. What we have is an international coup d'Ãƒ©tat by big capital over the nations of the world.

Globalization is a logical extension of imperialism, a victory of empire over the republic, international finance capital over local productivity, and nation-state democracy (such as it is). In recent times, however, given popular protests, several multilateral trade agreements have been stalled or voted down. In 1999, militant protests against free trade took place in

forty-one nations from Britain and France to Thailand and India.[xi] In 2000-01, there were demonstrations in Seattle, Washington, Sydney, Prague, Genoa, and various other locales. In 2003-04 we saw the poorer nations catching wise to the free trade scams and refusing to sign away what shreds of sovereignty they still had. Along with the popular resistance, more national leaders are thinking twice before signing on to new trade agreements.

The discussion of globalization by some Marxists (but not all) has focused on the question of whether the new "internationalization" of capital will undermine national sovereignty and the nation-state. They dwell on this question while leaving unmentioned such things as free trade agreements and the WTO. Invariably these observers (for instance Ellen Wood and William Taab in *Monthly Review*, Ian Jasper in *Nature, Society and Thought*, Erwin Marquit in *Political Affairs*) conclude that the nation-state still plays a key role in capitalist imperialism, that capital-while global in its scope--is not international but bound to particular nations, and that globalization is little more than another name for overseas monopoly capital investment.

They repeatedly remind us that Marx had described globalization, this process of international financial expansion, as early as 1848, when he and Engels in the *Communist Manifesto* wrote about how capitalism moves into all corners of the world, reshaping all things into its own image. Therefore, there is no cause for the present uproar. Globalization, these writers conclude, is not a new development but a longstanding one that Marxist theory uncovered long ago.

The problem with this position is that it misses the whole central point of the current struggle. It is not only *national* sovereignty that is at stake; it is *democratic* sovereignty. Millions of people all over the world have taken to the streets to protest free trade agreements. Among them are farmers, workers, students, and intellectuals (including many Marxists who see things more clearly than the aforementioned ones), all of whom are keenly aware that something new is afoot and they want no part of it. As used today, the term *globalization* refers to a new stage of international expropriation, designed not to put an end to the nation-state but to undermine whatever democratic right exists to protect the social wage and restrain the power of transnational corporations.

The free trade agreements, in effect, make unlawful all statutes and regulations that restrict private capital in any way. Carried to full realization, this means the end of whatever imperfect democratic protections the populace has been able to muster after generations of struggle in the realm of public policy. Under the free trade agreements, any and all public services can be ruled out of existence because they cause "lost market opportunities" for private capital. So too public hospitals can be charged with taking away markets from private hospitals; and public water supply systems, public schools, public libraries, public housing, and public transportation are guilty of depriving their private counterparts of market opportunities, likewise public health insurance, public mail delivery, and public auto

insurance systems. Laws that try to protect the environment or labor standards, or consumer health already have been overthrown for "creating barriers" to free trade.

What also is overthrown is the *right* to have such laws. This is the most important point of all and the one most frequently overlooked by persons from across the political spectrum. Under the free trade accords, property rights have been elevated to international supremacy, able to take precedent over all other rights, including the right to a clean, livable environment, the right to affordable public services, and the right to any morsel of economic democracy. Instead, a new right has been accorded absolutist status, the right to corporate private profit. It has been used to stifle the voice of working people and their ability to develop a public sector that serves their interests. Free speech itself is undermined as when "product disparagement" is treated as an interference with free trade. And nature itself is being monopolized and privatized by transnational corporations.

So the fight against free trade is a fight for the right to politico-economic democracy, public services, and a social wage, the right not to be completely at the mercy of big capital. It is a new and drastic phase of the class struggle that some Marxists--so immersed in classical theory and so ill-informed about present-day public policy--seem to have missed. As embodied in the free trade accords, globalization has little to do with trade and is anything but free. It benefits the rich nations over poor ones and the rich classes within all nations at the expense of ordinary citizens. It is the new specter that haunts the same old world.

[i] Quoted in *New York Times,* May 21, 1989.**[ii]** See Lori Wallach and Michelle Sforza, *The WTO* (New York: Seven Stories Press, 2000); and John R. MacArthur, *The Selling of Free Trade: Nafta, Washington, and the Subversion of American Democracy* (New York: Hill and Wang, 2000).

[iii] *New York Times*, April 30, 1996, and May 9, 1997;*Washington Post,* October 13, 1998.

[iv] See the report by the United Nations Development Program referenced in *New York Times*, July 13, 1999.

[v] Project Censored, "Real News," April 2007; also Arun Shrivastava, "Genetically Modified Seeds: Women in India take on Monsanto," *Global Research*, October 9, 2006.

[vi] Quoted in *People's Weekly World*, December 7, 1996.

[vii] John R. MacArthur, *The Selling of "Free Trade": NAFTA, Washington, and the Subversion of American* Democracy (New York: Hill & Wang, 2000; and Sarah Anderson and John Cavanagh, "Nafta's Unhappy Anniversary," *New York Times,* February 7, 1995.

[viii] John Ross, "Tortilla Wars," *Progressive*, June 1999

[ix] For a concise but thorough treatment, see Steven Shrybman, *A Citizen's Guide*

to the World Trade Organization (Ottawa/Toronto: Canadian Center for Policy Alternatives and James Lorimer & Co., 1999).

[x] "US seeks "get-out clause" for illegal farm payments" Oxfam, June 29, 2006, **https://www.oxfam.org/en/news/pressreleases2006/pr060629_wto_geneva**

[xi] *San Francisco Chronicle*, June 19, 1999.

© 2007 Michael Parenti

MICHAEL PARENTI

Michael Parenti is an American political scientist and cultural critic who writes on scholarly and popular subjects. He has taught at American and international universities and has been a guest lecturer before campus and community audiences. His books include: "*Face of Imperialism*" (2011), "*Contrary Notions: The Michael Parenti Reader*" (2007); "*Democracy for the Few*" (2010); "*The Assassination of Julius Caesar*" (2004), and "*Superpatriotism*" (2004).